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Chair: Ms. Coto-Ramírez (Vice-Chair) ..... (Costa Rica)
Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Sene

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In the absence of Mr. Ružička (Slovakia), Ms. Coto-Ramírez (Costa Rica), Vice-Chair, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 131: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

United Nations procurement activities (A/69/73, A/69/73/Add.1, A/69/710 and A/69/809)

1. **Mr. Cutts** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on United Nations procurement activities (A/69/710), recalled that the previous report of the Secretary-General on procurement activities (A/67/683, A/67/683/Corr.1 and A/67/683/Corr.2) had focused on the deployment of Umoja, the increased demand in the Secretariat in terms of consulting and technology requirements, the change in the Secretariat's service delivery model and the strategic management of procurement at Headquarters, the Regional Procurement Office pilot project in Entebbe, the training and professionalization of staff, the development of key performance indicators, and the increase in the participation of vendors from developing countries and countries with economies in transition. Two addenda provided an overview of the pilot project on the independent procurement challenge system (A/67/683/Add.1), extended until 30 June 2015; and presented findings and recommendations issued following an evaluation of audit reports relating to procurement conducted by the Office of Internal Oversight Services (A/67/683/Add.2).

2. As indicated in the latest report, the value of procurement had increased from close to $3.1 billion in 2012 to over $3.2 billion in 2013, and an estimated value of $3.4 billion in 2014. The Umoja supply chain module was expected to rationalize acquisition processes and benefit the Organization through efficiency gains and enhanced visibility. The role of the Communications and Information Technology Section of the Procurement Division was crucial in implementing that and other complex information and communications technology programmes of global strategic importance.

3. The Procurement Division and the Department of Field Support, in consultation with the International Civil Aviation Organization, were undertaking the transition in solicitation methodology from invitation to bid to request for proposal for long-term air charter requirements. That transition would ensure greater operational flexibility and enhanced international competition and performance management with, as a result, better value for the Organization.

4. The efforts undertaken by the Procurement Division in cooperation with the Department of Field Support in several critical areas of major expense, such as the provision of food rations and fuel to field missions, had improved service delivery. Major changes in food ration specifications and standards had resulted in significant savings for the Organization and in the emergence of new contractors, the majority of which were from developing countries.

5. The independent procurement challenge programme had been established as a pilot project to enhance integrity and fairness through transparency in procurement. Both vendors and the Organization had benefited from the feedback provided as a result. In his report, the Secretary-General requested the establishment of the programme on a continuous basis and its phased expansion to all United Nations Secretariat entities.

6. The Secretariat was fully committed to continuing its efforts to improve procurement opportunities for vendors from developing countries and countries with economies in transition. In addition to the improvements outlined in the previous report on procurement activities, the Secretariat had led the vendor registration reform project for the High-level Committee on Management Procurement Network, completed in November 2013, and had significantly simplified the registration process with a view to accommodating vendors from developing countries and economies in transition and allowing them greater participation in procurement tenders. Procurement volume from vendors from developing countries and countries with economies in transition had stood at 55 per cent in 2013.

7. Lastly, the Secretariat wished to pursue the implementation of sustainable procurement through a pilot project outlined in the report. While key elements of sustainability, including social, environmental and economic requirements, already existed in Secretariat procurement, more remained to be done.

8. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions),

introducing the related report of the Advisory Committee (A/69/809), said that the Advisory Committee noted the opportunity presented by Umoja to integrate interrelated business processes and eliminate duplication, and looked forward to receiving information in future reports on the impact of Umoja on procurement. Regarding information and communications technology procurement, particularly in peacekeeping, more needed to be done to address the weaknesses highlighted by the Board of Auditors.

9. The Advisory Committee acknowledged the progress made with the transition in solicitation methodology for the procurement of long-term air charter services from invitation to bid to request for proposal. It welcomed the preliminary outcome of the pilot request for proposal issued in 2014 for the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), and noted that, compared to previous invitations to bid, it had attracted a significantly higher number of vendors from a wide geographical area. The Advisory Committee expected the process of solicitation and contract award under the request for proposal methodology to be competitive, fair, transparent and timely. With regard to the Regional Procurement Office in Entebbe, the Advisory Committee welcomed the benefits realized thus far by the pilot project in terms of administrative cost savings, economies of scale, staff training and increased outreach to vendors in the region. However, it was concerned about the low utilization rate of the regional systems contracts administered by the Office.

10. The Advisory Committee took note of the Secretary-General's preliminary proposal to introduce environmentally friendly and sustainable procurement, but cautioned that the concept had not been considered for approval by the General Assembly. More needed to be done to refine the understanding of the concept and how it could be applied in practical terms.

11. The Advisory Committee noted that although the Board of Auditors had often cited cases of non-compliance with established rules and guidelines in procurement practice, resulting in the inefficient use and wastage of resources, there had been no indication of individual accountability being assigned in those cases. Lastly, proposals that might require consideration and approval by the General Assembly should have been presented more clearly and more prominently in the Secretary-General's report in order to facilitate their consideration by the General Assembly.

12. **Mr. Terzi** (Joint Inspection Unit), introducing the report of the Joint Inspection Unit (JIU) on the review of long-term agreements in procurement in the United Nations system (A/69/73), said that procurement represented a major expenditure category, and constituted an important tool in the achievement of the operational objectives of United Nations organizations and delivery of mandates.

13. The procurement volume of United Nations organizations had increased dramatically in recent years, from $6.5 billion in 2004 to $15.4 billion in 2012, an increase of around 137 per cent. Procurement expenditure accounted for some 35 to 40 per cent of the total expenditure of United Nations organizations. Given that procurement activities involved high financial and operational risks, JIU included the procurement function and activities in its close-watch list and, over the previous 10 years, had produced five procurement-related reports and notes for the United Nations system. Two of those outputs had focused on general procurement policy and practices, and reform issues, while the rest had addressed specific aspects of the procurement function, such as long-term agreements and contract management.

14. JIU reviews on procurement had identified many areas for improvement, indicated best practices and produced a number of recommendations. A key issue had been the lack in organizations of a procurement strategy and planning. While many organizations had started to establish procurement strategies for major items, comprehensive procurement portfolio assessment and design of corporate strategy were missing or inadequate.

15. The recommendations made by JIU included the use of proper risk assessment and management for procurement and contract management processes; the establishment of a formal vendor sanction policy and a formal mechanism for reviewing vendor complaints; the strengthening of conflict of interest and ethics policies and practices; the use of environmentally and socially responsible procurement policies; and effective procurement monitoring and performance evaluations. For there to be proper analysis, monitoring and reporting, and enhanced internal control, organizations needed to improve information system capabilities and integrate procurement process and

monitoring modules into those systems. JIU was pleased that the Secretariat had implemented many of its recommendations, including electronic tendering, improved monitoring, reporting and analysis capabilities, effective training, fostering a culture of ethics and integrity, use of an independent procurement challenge programme, and increasing the opportunities for vendors from developing countries and economies in transition.

16. Long-term agreements were usually established for multiple years for goods and services that would be purchased repeatedly over the lifetime of the contract. Overall, the JIU review of those agreements had found that their use in the United Nations system was relevant, efficient and effective. The consolidation of piecemeal procurement requirements in a single procurement exercise enabled organizations to reduce transaction costs and utilize volume leverage to reduce prices. The use of long-term agreements also facilitated the application of quality and technical standards. However, the review had identified several deficiencies associated with the policies and practices of organizations that could negate the potential benefits of long-term agreements. Organizations in varying degrees lacked specific policies on long-term agreements and analytical procurement data. When that was combined with inadequate corporate procurement strategies and planning, lack of spend analysis and weak contract management and implementation monitoring, there was a risk of efficiency loss, or the loss of potential efficiency gains.

17. The long-term agreement modality could also be used in collaborative procurements among organizations. There were many similarities in the purchases of United Nations organizations, with organizations spending more than $400 million each year on vehicles alone. Combining purchases of the same procurement items in a single long-term agreement would enable organizations to negotiate larger price discounts and better contract terms and conditions. In Geneva and Rome, collaborative procurements among organizations for commonly used goods and services had resulted in considerable cost savings. However, existing collaboration in procurement activities was not close to using the full potential of the system. There was a need for further harmonization of procurement policy and practices, and changes in policies to promote collaboration and standardization of goods and services across the system. The report on long-term agreements contained five recommendations and numerous examples of best practices both in the United Nations system and in other institutions, in particular in the European Commission. Implementation of the recommendations and best practices would result in greater efficiency and effectiveness in procurement activities. The Committee was invited to endorse the recommendations so as to facilitate their implementation across the system.

18. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General transmitting his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit (A/69/73/Add.1), said that United Nations system organizations welcomed the informative report and agreed with the assessment of the Joint Inspection Unit that moving procurement in the United Nations system to a more strategic footing, rather than a largely transactional one, would prove useful. Organizations noted that, for the most part, the use of long-term agreements across the system, with allowance for variations in specifications as a result of individual organizational environments, was already extremely efficient. Common specifications would permit greater volume leveraging and best value for money through demand aggregation across the United Nations system.

19. Agencies generally welcomed the JIU recommendations, although not without reservations with regard to several of them. Organizations fully agreed with recommendation 1, concerning the development of specific policies and guidelines for the strategic use of long-term agreements. In other cases, agencies agreed with the overall substance of the recommendation, but expressed some concern regarding implementation. For example, on recommendation 2, concerning contract management plans, agencies agreed with the importance of such plans but noted that implementing all the suggested mechanisms might not always result in substantial benefits, especially for smaller organizations. With regard to recommendation 4, organizations strongly agreed with the call to support the work of inter-agency mechanisms, such as the High-level Committee on Management Procurement Network and the Legal Network, but also expressed concern regarding the harmonization of general terms and conditions, and suggested that, in some cases, the

resources, time and effort required to achieve such harmonization might not deliver significant gains.

20. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, said that procurement activities were a key aspect of United Nations management, given the growing complexity and size of the operations undertaken by the Organization. The Group therefore supported measures to increase the efficiency, transparency and cost-effectiveness of the United Nations procurement system. It noted the change in the solicitation methodology for the acquisition of air assets and logistics services from invitation to bid to request for proposal, and would seek further information on the new evaluation process and its impact on the geographical representation of participating vendors.

21. The Group emphasized the importance of increasing procurement opportunities for vendors from developing countries. Equal, fair and non-discriminatory access must be given to companies from those countries. The Group noted the efforts presented in the Secretary-General's report and called for intensified efforts in that regard. In particular, it supported the use of business seminars to raise awareness of the opportunities and the procedural requirements for participation in procurement activities at the United Nations.

22. The Group noted the benefits realized since the establishment of the Regional Procurement Office in Entebbe and would seek further information on the Secretariat proposals concerning the future of that Office in the context of the upcoming consideration of a global service delivery model. Lastly, given that the General Assembly had not approved the concept of sustainable procurement, the Group was concerned at the intention of the Secretariat to initiate a pilot project on sustainable procurement. There was a lack of clarity regarding the concept and its possible impact on the diversification of the origin of vendors and on international competition, particularly for developing countries.

23. **Mr. Presutti** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, the Republic of Moldova and Ukraine, said that the European Union welcomed the information contained in the Secretary-General's comprehensive report on procurement activities, particularly the information on the key initiatives undertaken to advance a strategic approach to procurement and modernize the acquisition process in respect of critical requirements in the best interest of the Organization.

24. It noted with great interest the outreach efforts carried out by the Procurement Division, and welcomed its multifaceted approach. It commended the Secretariat on its efforts to reach out to the widest possible audience by making the United Nations Global Marketplace online portal available in several languages, and encouraged similar efforts in respect of the United Nations Procurement Manual. Informing both vendors and Member States of the business opportunities that the United Nations system provided and helping them to understand procurement guidelines and practices was crucial in enhancing the transparency of the system. It encouraged the Division to continue its work in those important areas.

25. His delegation welcomed the progress made in using Umoja to enable more strategic management of United Nations procurement, in modernizing air charter procurement and in securing greater efficiency and economy through improved mission-critical contracts. The procurement activities of the United Nations should reflect the post-2015 development agenda and should integrate requirements, specifications and criteria that were compatible with and supportive of the protection of the environment and human rights obligations, and were mindful of the commitment of Member States to combat forced and child labour.

26. **Ms. Sabar** (United States of America) said that her delegation commended the Secretary-General on his efforts to modernize the procurement function of the United Nations. With over $3.2 billion spent annually on the procurement of goods and services, the United Nations was a major buyer in the global economy, and her delegation welcomed the initiatives undertaken by the Procurement Division to align the Organization's processes with industry best practices, including the transition to a new solicitation methodology for long-term air charter requirements, consolidated procurement through the Regional Procurement Office in Entebbe, the streamlining of vendor databases and the initiation of an electronic tendering pilot. Those initiatives had created a level playing field and business opportunities for new

vendors, including vendors from developing countries and countries with economies in transition.

27. Transparency in procurement was of the utmost importance and her delegation encouraged the Secretary-General to continue strengthening internal controls through such practices as the independent procurement challenge system. Lastly, more could be done to achieve economies of scale in the supply chain process. Her delegation expected Umoja to eliminate duplication in the procurement process and encouraged the Secretary-General to realize benefits as soon as possible.

28. **Mr. Podlesnykh** (Russian Federation) said that his delegation was extremely concerned that the question of the United Nations procurement system was being taken up by the Committee when delegations had had insufficient time to peruse the Advisory Committee's report. That report had not been issued in all six official languages until the weekend, at which time it had been impossible for delegations to consult with their respective capitals. Yet delegations were expected to present their positions on the matter at a meeting on Monday morning. His delegation and others had repeatedly expressed concerns to the Secretariat and the Advisory Committee about the late issuance of documents to be considered by the Committee. In the current instance, however, there was no good reason for delegations to have been given inadequate time to examine the documents. The responsibility lay with the Bureau for failing to postpone the meeting to a later date. The Bureau often referred to the late issuance of documents as the reason for the hasty introduction of reports before the Committee and the short time available for delegations to study them. That justification was not valid in the case at hand, as most of the items to be taken up by the Committee at the current part of the session had already been introduced. The current meeting could have been delayed by a few days to give Member States time to study the report of the Advisory Committee. Such a delay would have had no negative impact on the Committee's work, whereas the hasty introduction of documents did have a negative impact, as it prevented Member States from participating in the discussion. His delegation had been unable to make a statement on the substantive issues relating to procurement because of the late issuance of the Advisory Committee's report.

29. Later that week, the Committee was scheduled to take up the strategic capital review and flexible workspace arrangements. However, the Advisory Committee had yet to issue its reports on those issues. Member States needed at least one full working day to study documents in order to prepare for the Committee's deliberations.

The meeting rose at 10.45 a.m.